

# HOMER NEWS

## Homer Alaska - Business

Story last updated at 9:08 PM on Wednesday, March 9, 2011

### Revival of oil industry in Cook Inlet?

*Smaller companies have high hopes, some spurred by state incentives*

By Tim Bradner

Morris News Service - Alaska

An Alaska-based independent company has hopes that it can resurrect the small Redoubt Shoal offshore oil field, with its shut-in Osprey platform, on the west side of Cook Inlet.

Cook Inlet Energy LLC is one of several companies now busy working to develop new oil and gas prospects in the inlet, some of them spurred by new state incentives.

Oil and gas discoveries were first made in the late 1950s and wells are still producing.

Besides Cook Inlet Energy, Denver's Armstrong Oil and Gas is developing a small gas field at North Fork, near Homer. Buccaneer Energy, an Australian company, and Nordaq Energy Inc., an Alaska firm, are drilling new gas exploration wells on the Kenai Peninsula this spring, and Linc Energy, another Australian firm, is evaluating results of a gas test drilled in the Matanuska-Susitna Borough late last fall.

Buccaneer and independent Escopeta Oil and Gas plan to bring jack-up rigs to Cook Inlet this summer to drill test wells in deeper waters.

Cook Inlet Energy, meanwhile, is working to redevelop and expand discoveries made previously on the west side of the inlet, and where there were problems.

CEO David Hall said difficulties that plagued previous attempts to develop Redoubt Shoal with the Osprey platform were mechanical, and the problems can be solved. There doesn't seem to be any major problem with the reservoir itself, Hall said.

Cook Inlet Energy was formed to take over the west inlet properties from the previous owner, Pacific Energy Resources, which had gone bankrupt. Cook Inlet Energy is a subsidiary of Tennessee-based Miller Petroleum Co.

Hall said his company plans to restart operations at the Osprey platform this spring after completing repairs on two of six wells drilled at the platform. There also are plans to expand production after redrilling four other producing wells on the platform.

The company hopes to have the work completed in 2011, Hall said.

There were a total of eight wells drilled at Osprey, but two of these were for the injection of water to add pressure in the reservoir and boost oil production.

Hall said his company plans to repair or install new pumps at the platform and to redrill the wells where the casing was damaged. The redrilling will require about 2,000 feet to 4,000 feet of new hole to be drilled around the damaged well sections, he said.

Hall hopes this will be enough to bring production up to about 2,000 barrels per day. Estimates are that about 12 million barrels can be produced from Redoubt Shoal, but Hall believes the estimate is conservative.

Cook Inlet Energy has done a lot of work on the geology, as well as a careful reevaluation of seismic surveys done on the field, Hall said.

"We think there are enormous opportunities to build on what we have at Redoubt Shoal," he said.

The oil is from the Hemlock formation at about 10,000 feet in depth. There are possibilities for more oil, as well as gas, from the Hemlock, Hall said, as well as gas from a separate formation at the Tyonek gas sand.

Total production by the previous owners totaled about 2 million barrels.

There are estimates of about 50 million barrels of oil in the reservoir, and while only part of this will be produced, there is potential for more than what has been produced to date.

Cook Inlet also owns and operates the small West Mac-Arthur River oil field, which it also took over in the Pacific Energy bankruptcy. About 1,000 barrels of oil per day are being produced now from wells at West MacArthur.

Oil is now stored and shipped through the 20-mile Cook Inlet Pipe Line to a loading terminal on Drift River, where tankers call every 12 days to 14 days to move oil to the Tesoro refinery near Kenai on the east side of Cook Inlet.

Cook Inlet Energy has plans for growth at the small West MacArthur River field, too, Hall said. There is potential for shallow gas developments in the field, which is now primarily an oil field.

Hall is bullish on the area. "We see the potential for 100 well prospects in the area," he said.

Cook Inlet Energy has brought a small company-owned drill rig, Miller Rig No. 34, to test the potential of shallow gas prospects, as well as to do workovers on oil producing wells in the field. The rig is capable of drilling to about 6,000 feet. It was brought to the inlet late last year and is now on the west side field site, where improvements are being added prior to drilling.

There also is potential for more oil at West MacArthur River in prospects that are deeper, Hall said. Drilling these will require a heavier rig and the company hopes to either lease or purchase a drill rig and bring it to the west inlet to test these.

The company also holds a substantial lease position in the Matanuska-Susitna Borough, where there are good prospects for natural gas, Hall said.

For now the company is focused on its current operations, however.

#### Inlet history

The Redoubt Shoal field and the Osprey platform have had a star-crossed history. Previous developers and owners had problems and some bad luck.

Early Cook Inlet oil explorers knew there was oil in Redoubt Shoal, but it was considered too small. In the 1960s and 1970s, the companies exploring and developing Cook Inlet were after bigger finds.

When independent company Forcenergy began exploring the Inlet later, it focused on small deposits that had been bypassed by the large companies. Redoubt Shoal was one, as was West MacArthur River, which had been brought into production by Alaska independent Stewart Petroleum Co.

Forcenergy acquired these properties along with interests in some of the larger inlet fields, and was then acquired by Forest Oil Co., a major independent based in Denver. Forest took over West McArthur River production operations and moved to build the Osprey platform and develop Redoubt Shoal.

There were some important innovations with the project. Osprey was the first Cook Inlet platform system to inject used drill fluids and drill cuttings back into the reservoir rather than disposing of them overboard, which is done on the older inlet platforms.

But there were difficulties with the Osprey wells. Among those, Hall said, was that the casing used to reinforce the wells was too light, causing some of them to collapse or cave in. There also were problems with some of the pumps installed in the wells to boost oil to the surface.

Forest Oil had invested more than \$100 million in the project, a hefty sum for the company at the time. Production, however, was disappointing. The combination of these and other problems, such as low oil prices, prompted Forest to sell the company to a new independent, Pacific Energy Resources, based in Los Angeles.

Bad luck hit Pacific Energy, however, with the financial crises of 2009, and the subsequent recession brought a short-lived, but sharp drop in oil prices. The timing was bad for Pacific Energy, and the company was forced into bankruptcy. Its assets finally sold at a bankruptcy auction.

Hall and JR Wilcox, Cook Inlet Energy's president, had been working with Forest Oil and Pacific Energy, and then worked with Miller Petroleum, a longtime operator of small oil and gas wells in the eastern United States, to buy the west inlet assets and to form Cook Inlet Energy to redevelop and operate them.

The state of Alaska lent a hand by including Redoubt Shoal with several other small, marginal Cook Inlet oil and gas properties in a reduction of the state royalty from 12.5 percent to 5 percent. This was granted as an incentive to encourage development.

The reduction is due to expire soon, however. With its redevelopment just getting under way, the company hopes to have the incentive royalty extended.

Tim Bradner is a reporter for the Alaska Journal of Commerce.

---

Homer News ©2013. All Rights Reserved. [Terms of Service](#)



CLOSE X